

# Beverage Container Recycling Infrastructure Loan Guarantee Program Application

The Department of Conservation (Department) is authorized to issue loan guarantees for new recycling infrastructure in the State. The Department is making up to ten million dollars (\$10,000,000) of loan guarantees available through this current offering. Organizations that are interested in applying for a beverage container recycling infrastructure loan guarantee must submit applications to the Department **by March 17, 2006, 5:00 PM**, in order to be considered for a loan guarantee.

## 1. Background of Loan Guarantee Program

Through the Division of Recycling, the Department administers the California Beverage Container Recycling and Litter Reduction Act (Act). This Act governs the recycling of California Redemption Value (CRV) beverage containers. The goal of the Act is to achieve an 80 percent beverage container recycling rate in California.

California overall, or all material, CRV beverage container recycling rate was 59% for calendar year 2004. This was a four-point increase from the previous year. Continued increases in returns of CRV beverage containers in tandem with recent legislation affecting the California Beverage Container Recycling Program are likely factors influencing the positive trend, which shows beverage container returns climbing at a greater rate than sales for the first time since 1995.

Assembly Bill 28, effective January 1, 2004, added Public Resources Code (PRC) Section 14581 (a) (11) which authorizes that up to ten million dollars (\$10,000,000) may be transferred on a one-time basis by the Department to the Recycling Infrastructure Loan Guarantee Account (Account). The Account is a revolving account in the California Beverage Container Recycling Fund. Funds from the Account are continuously appropriated to the Department to issue capital expenditure loan guarantees for new recycling infrastructure in the state through the Beverage Container Recycling Infrastructure Loan Guarantee Program (Program) as specified in PRC Section 14582. The Program has no sunset provision.

## 2. Objective and Goals of Beverage Container Recycling Infrastructure Loan Guarantee Program

The overarching objective of the Program is to increase recycling of CRV beverage containers. Increased recycling includes both short-term and long-term increases in beverage container recycling as well as recycling rates. Recycling rates can be increased through (1) creating new market opportunities for

recycled beverage container products, and (2) expanding existing market-related activities for recycled beverage container products. This latter category includes a broad range of recycling industry activities.

This is a new program for the market development and expansion of CRV beverage container recycling. The Department has the fiduciary responsibility to effectively and efficiently award loan guarantee commitments so as to have a significant and measurable impact on California's overall CRV recycling rate.

The Department seeks innovative, but realistic, projects that have the potential to materially increase, and sustain, the State's recycling rates, so that in the future, the State can again achieve its overall 80 percent recycling rate goal. The Act's highest overall recycling rate was 82 percent, over ten years ago in 1992. The Department is also interested in new jobs creation associated with, and resulting from, the positive impact on CRV beverage container recycling rates.

To be eligible for a loan guarantee, projects must be designed so as to have, first and foremost, benefits for the State's recycling program.

## 3. Eligibility to Apply for Loan Guarantees

### Applicant Eligibility

Any private business; non-profit organization; city, county, city and county; joint powers authority; university; tribe; and state or federal government entity is eligible to apply for a beverage container recycling infrastructure loan guarantee. Loan guarantee applicants are subject to state and federal conflict of interest laws. Failure to comply with these laws, including business and financial disclosure provisions, can result in the loan guarantee application being rejected, and any subsequent agreement being declared void.

Before submitting an application, applicants are urged to consider conflict of interest concerns, and requirements for disclosure. Applicable statutes include, but are not

limited to, Government Code Section 1090 (concerning financial interest and contracts made by members of the Legislature, county boards, city officers, and employees in their official capacity) and Public Contract Code Sections 10410 and 10411 (concerning hiring of current, and former, State employees, respectively).

Applicants must disclose whether they are providing consulting services to the State under a State contract (or as a sub-contractor providing more than ten percent of the dollar value of a consulting services contract with the State), or have provided such services within five years prior to the release of this loan guarantee solicitation, which are related in any manner to the goods, services, or supplies, to be acquired pursuant to this loan guarantee solicitation document.

### **Project Eligibility**

The Program's objective is to support new capital outlay recycling infrastructure in the State. The underlying statutory requirements for the Program are that the projects (1) add new recycling capacity, (2) result in re-manufacturing and re-use of beverage containers into new products, and (3) comply with all applicable laws and regulations. These loans must ultimately result in increased CRV beverage container recycling.

The following key factors apply to loan guarantees:

- **Required Applicant Equity**

The borrower shall contribute a minimum of 15 percent of the project costs. For example, a \$100,000 project would require at least a \$15,000 equity (cash) contribution from the borrower, leaving \$85,000 for the loan. In-kind contributions will not be counted as part of the equity contribution. The bank may increase the minimum required loan contribution based on specific project characteristics.

- **Size of Loan Guarantee**

There is a minimum loan amount for an eligible project of one hundred thousand dollars (\$100,000). There is no maximum loan amount for an eligible project. This offering is for a total of up to ten million dollars (\$10,000,000) in loan guarantees. The Department will guarantee up to eighty-five percent (85%) for eligible project loans equal to or less than \$150,000, and up to seventy-five percent (75%) for loans above \$150,000. The Department, in our discretion, may offer a smaller guarantee percentage.

Larger loan guarantee amounts will be expected to have proportional beverage container recycling benefits. All loan guarantee applications should have a significant short- or long-term impact on either regional, or statewide, recycling levels.

- **Use of Loan Guarantees**

Real property purchases for land are not eligible for loan guarantees. Loan guarantees can be used for equipment costs, buildings and facilities, rent and utilities, travel, contractual services, other operating costs, and other (explained) non-operating costs.

- **Types of Program Projects**

There is a wide range of potential projects potentially eligible under this Program. Priority will be given to those projects that have a direct positive impact on CRV beverage container recycling, and also create California jobs, in both the short- and long-run.

- **Length of Program Guarantees**

The Department will guarantee loans for eligible project for a maximum of fifteen (15) years for machinery and equipment, or the length of life of equipment, whichever is less. Loans for real property will not be eligible; however, loans for buildings and facilities are eligible.

- **Program Guarantee for Recycling of Different CRV Beverage Container Material Types**

Projects eligible for loan guarantees can include projects that positively impact recycling of any one, any combination, or all, of the ten CRV beverage container material types in the program (i.e., aluminum, glass, bi-metal, and plastics # 1 to # 7). There is no Program priority for increasing recycling of one CRV beverage container type over any other CRV beverage container type. The Department is interested in increasing the State's overall CRV beverage container recycling rate.

- **California In-State, Versus Out-Of-State, Loan Guarantee Program Benefits**

The overriding goal of this Program is to increase CRV beverage container recycling rates. Along with increasing recycling rates, the Department is interested in creating and sustaining new jobs, which should result from the creation of new, or expanded, recycling opportunities. Some loan guarantee applications may have California recycling benefits, but out-of-state job benefits. Highest priority will be given to loan guarantee applications that both (1) increase CRV beverage container recycling and (2) create and sustain California jobs.

## 4. Loan Guarantee Application Requirements

This section describes the loan guarantee application requirements. Applicants should provide the information described below, and in the specified format.

In preparing these sections, the applicant is encouraged to closely review the Loan Guarantee Scoring Criteria, described in the next section, so as to meet the full intent of the loan guarantee application requirements. The required sections of the loan guarantee application are:

- A. Administrative Requirements
- B. Application and Written Proposal
- C. Estimated Impacts - Attachment A

### Section A. Administrative Requirements

- Provide an original and six (6) copies of the loan guarantee application. All applications must be received by the department no later than 5:00 PM, on March 17, 2006.

The application must be formatted in at least a 10-point font size, use double-sided pages, be printed on recycled content paper, and be prepared in the least expensive method (i.e., no special bindings or cover stock, with the preferred method of binding being stapled in the upper left hand corner, if possible).

This administrative requirements section should include the following:

1. A signed cover letter. The cover letter should introduce both the applicant and the project and be signed by a person authorized to bind the organization to the loan guarantee agreement. The cover letter should also address real, potential, or perceived conflicts of interest, and if there are none, this should be stated in the cover letter.
2. A copy of tax-exempt status, for non-profit organizations only.
3. Proof of articles of incorporation, partnership agreement, or current fictitious business name statement and business license, as appropriate, for private businesses only.

### Section B. Application Form and Written Proposal

- Instructions for completing the Guaranteed Loan Application/Project Summary (Application) are provided on the document.

- A written proposal no longer than six pages (three double-sided pages) that addresses the following points described below.

1. Applicant Qualifications
2. Project Qualifications
3. Technical and Market Feasibility

#### 1. Applicant Qualifications

- Describe the longevity, history, and structure of the applicant organization, including basic organizational functions. Describe how the project fits within the existing structure and functions of the organization.
- Describe the applicant organization's knowledge and experience as it relates to the loan guarantee project. Identify, and briefly describe, previous or current applicant projects that are related to the loan guarantee project.
- Describe the applicant's capacity directly as it relates to the successful completion of this loan guarantee project.

#### 2. Project Qualifications

- Demonstrate the need for the project; the technical, economic, and market feasibility of the project; and how the applicant will implement the project.
- Describe the reason for undertaking the loan guarantee project.
- Identify barriers and obstacles that this loan guarantee project addresses.
- Identify project goals and measurable project objectives. Relate the goals and objectives of the loan guarantee project to the overall objectives of the Program.
- Identify the expected benefits of the loan guarantee project. This should include the expected impact on the number of beverage containers recycled or beverage container recycling rates. Additional benefits may relate to additional beverage container material volume used in the manufacture of a recycled content product; jobs creation; processing or production cost decreases; and/or other economic benefits.

#### 3. Technical, Economic, and Market Feasibility

- Provide information that describes and supports the technical approach and concepts embodied in the application, as well as an assessment of the market and economic impacts of the project.

- Provide a brief description of the current and future markets for the material(s) the project addresses, and an assessment of the short- and long-term impact of the project on those markets. Address market parameters such as quantity, quality, prices, and end-uses.
- For manufacturing end-uses, identify the technologies to be used, quantity of recycled material, to be used as feedstock and an assessment of the potential markets for the proposed product(s).

### Section C. Estimated Impacts

- Include the completed Attachment A, Loan Guarantee Project Estimated Impacts. Directions for completing the attachment are described below. This attachment must be included in the application.

This form will be used to help score the expected benefits of the loan guarantee project. These estimates will be used as a scoring tool to assist the Department in evaluating loan guarantee proposals.

The Department understands that calculating recycling impacts and jobs impacts for long-term projects, will require estimates and projections on the part of the applicant.

The applicant should include an explanation of the assumptions and forecasts used to calculate the recycling impacts and jobs impacts. The estimated impacts must be reasonable, clearly explained, and justified on Attachment A. The scoring of the estimated impacts will be based not only on the magnitude of the final estimates but also on the reasonableness of the assumptions the estimates are based upon.

1. In Item A of Attachment A, identify the total loan amount.
2. In Item B of Attachment A, provide an estimate of the annual tonnage of beverage containers recycled each year as a result of the loan guarantee project. This figure should be the applicant's best estimate of the recycling impact, on an annual basis, once full project impacts are realized. For example, if the first year expected impact is only five tons, but by year three and after, the expected impact is one thousand tons, use the latter figure.

The Department realizes that for many projects it will be difficult to identify an accurate estimate of the additional number of tons recycled each year. However, the overall goal of the Program is to increase beverage container recycling in California.

Thus, it is important that each applicant be able to relate the impacts of their project to this ultimate State goal; even if the figures are merely projections or rough estimates.

3. In item C, provide an estimate of the annual number of new jobs created in California as a result of this loan guarantee project. This figure should be the applicant's best estimate of the number of new California jobs, on an annual basis, once full project impacts are realized. The number of jobs should be based on full-time equivalents.
4. In item D, identify the first calendar year that the recycling and jobs impacts in B and C are expected to be fully realized.
5. In Item E, identify the number of years that the recycling and jobs impacts will continue. Again, provide the best possible estimate for this item.
6. In Item F, use the space provided to explain the assumptions, projections, and extrapolations used to develop the estimate of beverage containers recycled in Item B and the estimates of new jobs in Item C. What is the applicant's level of confidence in the accuracy of these numbers? What are the factors that could influence these estimates upwards or downwards?

## 5. Loan Guarantee Evaluation and Scoring Criteria

There will be a two-stage loan guarantee evaluation process. The applicant must meet all requirements of the first administrative step in order to proceed to the remaining evaluation steps and the scoring of applications. Final project scoring will be based on the combined scores for (1) Applicant Qualifications, and (2) Project Qualifications. The ultimate number of loan guarantees awarded will depend on the number of applicants, size of loan guarantee requests, and the quality of the loan guarantee applications.

An evaluation committee of, at a minimum, Department staff will review and score the loan guarantee applications. The Department reserves the right to have other agencies represented on the evaluation committee.

The four evaluation steps are as follows:

1. Minimum Administrative Requirements
2. Applicant Qualifications
3. Project Qualifications
4. Final Project Score.

The four evaluation steps are described as follows:

### **1. Minimum Administrative Requirements**

This step is scored pass/fail. The administrative step corresponds with the applicant's responses to **Section A (Administrative Requirements)** of the loan guarantee application. Failure to address any of the items below will result in a failing score and the loan guarantee application will not be further considered:

- The completed loan guarantee application is received by the Department no later than 5:00 PM, March 17, 2006.
- A signed cover letter introducing both the applicant and the project signed by a person authorized to bind the organization to the loan guarantee agreement.
- The loan guarantee application provides a copy of the organization's tax-exempt status (for non-profit organizations only).
- The loan guarantee application provides proof of articles of incorporation, partnership agreement, or current fictitious business name statement and business license, as relevant (for private businesses only).
- The loan guarantee application is in the specified/required format and all necessary forms (Application, Written proposal and Attachments A) are completed and signed (Application requires signatures).
- The loan guarantee applicant must be in compliance with all conflict of interest laws as outlined in the Contractor Certification clauses available from the Department of General Services' web page at <http://www.documents.dgs.ca.gov/ols/ccs-103.doc>

### **2. Applicant Qualifications**

This evaluation step will be scored on a 100-point scale. Applications must achieve a score of at least 70 points on this evaluation step to be recommended to the Department Director for a loan guarantee. The applicant qualifications score will be based on the applicant's responses to **Section B (Applicant Qualifications)** and Attachment A of the loan guarantee application.

- Applicant Qualifications  
(score of 100 points)

- a. Organization background

- Includes a review of the longevity and structure of the applicant organization, basic

organizational functions, and how well the loan guarantee project fits within the organization.

- b. Organization experience

- Includes a review of the overall level of knowledge and experience of the organization, and the organization's knowledge and experience as it relates to the loan guarantee project.

- c. Organization capacity

- Includes a review of whether the organization and personnel are fully committed to, and capable of, successfully executing the loan guarantee project.

### **3. Project Qualifications**

This evaluation step will be scored on a 100-point scale. Applications must achieve a score of at least 70 points on this evaluation step to be recommended to the Department Director for a loan guarantee. The project qualifications score will be based on the applicant's responses to **Section B (Project Qualifications)** and Attachment A of the application.

- Need for the Loan Guarantee Project  
(score of 50 points)

- a. Includes a review that the application clearly describes the reason for undertaking the project, the barriers and obstacles that must be addressed, and demonstrates an understanding of the baseline conditions that the project will improve.
  - b. Includes a review that project goals and measurable objectives are clearly described and are congruent with the overall objectives of the Loan Guarantee Program.
  - c. Includes a review that the applicant identifies the expected benefits of the project.

- Technical, and market feasibility of the loan guarantee project  
(score of 50 points)

- a. Includes a review that the application identifies the technologies to be used and includes an assessment of potential economic and market impacts that may result from the project
  - b. Includes a review of current and future markets for the material(s) the project addresses and the short- and long-term of the project on those markets.

#### 4. Final Project Score

The final loan guarantee project score will be based on the combined scores for (1) Applicant Qualifications, and (2) Project Qualifications.

Final loan guarantee award selections will be made by the Director of the Department of Conservation from among the qualified applicants and may not be reflective of the relative scores of the applicants. An example of the scoring for three applicants is shown below.

##### Example Scoring

Applicant	Applicant Qualifications Score	Project Qualifications Score	Final Project Score
A	90	85	175
B	85	95	180
C	65	80	145

*In this example, the order of project award recommendations to the Director would be: (1) Applicant B, and (2) Applicant A. The project of Applicant C would not be recommended to the Director for a loan guarantee because it scored less than 70 points for Applicant Qualifications.*

#### 6. Submission of Loan Guarantee Application

Loan guarantee application packages can be mailed, or hand-delivered, to the following address:

California Department of Conservation  
Division of Recycling, Market Research Branch  
Market Expansion Section  
801 K Street, 17<sup>th</sup> Floor  
Sacramento, California 95814

Attention: Beverage Container Recycling  
Infrastructure Loan Guarantee  
Program Application

Telephone (916) 323-5878  
TDD (916) 324-2555

Loan guarantee applications will not be accepted if submitted via fax or e-mail. Loan guarantee applications received by the Department after 5:00 PM (Pacific Time) on March 17, 2006 will not be accepted.

One (1) original loan guarantee program application (has original signatures) and six (6) copies must be provided to the Department.

Below is the tentative time schedule for this offering of the loan guarantee program:

Submission deadline for loan guarantee pre-applications	March 17
Notification of loan guarantee pre-approvals	April 17
Submittal deadline for lenders final application (a)	June 13
Execution of Loan guarantee agreements (b)	July 12

\* This date will vary, depending on submittal date of lender's final application. Actual date will be no later than twenty (20) working days after the Department's receipt of lender's final application.

#### 7. Loan Guarantee Application Checklist

Use this checklist to help confirm that all the required information is included in the loan guarantee application package prior to submittal to the Department. This checklist is only an aid to the applicant as the applicant is solely responsible to ensure that all requirements stated throughout this entire Beverage Container Recycling Infrastructure Loan Guarantee Program application document are fulfilled.

- One (1) original, and six (6) copies of the application
- Application and all associated documents and attachments printed on recycled content paper, double-sided, no smaller than 10-point font size, prepared in the least expensive method.
- Cover letter (signed by the person authorized to bind the organization to a loan guarantee agreement).
- Copy of tax-exempt status (for non-profit organizations).
- Copy of appropriate proof of business status (for private businesses).
- Written proposal. A written proposal no longer than six pages (three double-sided pages) with no smaller than 10-point font.
- Attachment A, Loan Guarantee Project Estimated Impacts.

(a) Upon request, the Department may consider extending the final submittal deadline based upon specific circumstances of the applicant.

(b) If the Department does extend the applicant's final submittal deadline, the Department's Execution of Loan Guarantee Agreements will be twenty (20) working days beyond the extended submittal deadline.

# Guaranteed Loan Applicant/Project Summary

Contact Name		Telephone Number (    )		Fax Number (    )	
Title		E-mail Address @			
Organization Name		Web Page Address			
Mailing Address		City	State	Zip Code	
Business Address		City	State	Zip Code	
Assembly District Number(s):		Senate District Number(s):			
Amount of Loan Guarantee \$		Loan Period (Dates) From: To:		Total Number of Months (6 to 36 mos.)	
Amount of Loan \$					
Provide a one-paragraph descriptive summary of the project:					
<b>Type of Grant Project</b> <i>(check all that apply)</i> <input type="checkbox"/> New Recycling  <input type="checkbox"/> RE-use or re-manufacture of beverage containers into new products <input type="checkbox"/> Other			<b>Type of Organization</b> <i>(check one)</i> <input type="checkbox"/> Private Business <input type="checkbox"/> Non-Profit <input type="checkbox"/> Government Agency <input type="checkbox"/> University <input type="checkbox"/> Tribe <input type="checkbox"/> Other		
<b>Materials to be Addressed</b> <i>(check all that apply)</i> <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"><input type="checkbox"/> Aluminum</div> <div style="width: 33%;"><input type="checkbox"/> Glass</div> <div style="width: 33%;"><input type="checkbox"/> Bi-Metal</div> <div style="width: 33%;"><input type="checkbox"/> PET # 1</div> <div style="width: 33%;"><input type="checkbox"/> HDPE # 2</div> <div style="width: 33%;"><input type="checkbox"/> PVC # 3</div> <div style="width: 33%;"><input type="checkbox"/> LDPE # 4</div> <div style="width: 33%;"><input type="checkbox"/> PP # 5</div> <div style="width: 33%;"><input type="checkbox"/> PS # 6</div> <div style="width: 33%;"><input type="checkbox"/> Other # 7</div> </div>					
<b>Financial/Legal History</b> <div style="margin-bottom: 10px;"> <input checked="" type="checkbox"/> Has the applicant, or any grant principal, ever had any certificate denied, suspended, revoked, or otherwise been disciplined by the Department or other governmental entity?      <input type="checkbox"/> Yes      <input type="checkbox"/> No         </div> <div style="margin-bottom: 10px;"> <input checked="" type="checkbox"/> Has the applicant, or any grant principal, experienced foreclosure, repossession, bankruptcy, civil judgment, or criminal penalty (or been party to a consent decree) as a result of any violation of federal, state, or local law?      <input type="checkbox"/> Yes      <input type="checkbox"/> No         </div> <div> <input checked="" type="checkbox"/> Has the applicant, or any grant principal, been the subject of any proceedings that are pending, or to the best of their knowledge, threatened against them, which may result in any adverse change in applicant financial condition, or materially adversely affect applicant operations?      <input type="checkbox"/> Yes      <input type="checkbox"/> No         </div> <p><i>If any of the above is answered "Yes," please provide a detailed explanation on separate sheets of paper. (i.e., Regulating Entity, Year, Amount, and Outcome)</i></p>					
Division of Recycling Certification Identification Number(s), (if applicable)			Federal identification Number:		

**Person Authorized to bind organization in loan guarantee agreement**

Name (Print)	Title
Signature ( <b>required</b> )	Date

# Loan Guarantee Program Estimated Impacts

Organization Name		Contact Name
A. Total Loan Guarantee Amount:  \$ _____	B. Estimated <u>annual</u> number of additional beverage containers recycled as a result of this project: _____	C. Estimated <u>annual</u> number of new California jobs created as a result of this project: _____
D. First year of expected recycling/job impacts: Recycling: _____  Jobs: _____	E. Number of years of expected recycling/job impacts: Recycling: _____  (example: 1 year, 2 years, ongoing) Jobs: _____	
F. Explanation of recycling and job impacts: <i>(use the rest of this page to provide an explanation of the assumptions and projections used to determine the estimated impacts)</i>		